

Securities ID code: 6859

ESPEC CORP.

Results Briefing for the Six Months Ended September 30, 2024

November 21, 2024

Satoshi Arata

Representative Director and President

Financial Result for the Six Months Ended September 30, 2024

Orders received were strong both in Japan and overseas, and both sales and profit increased due to factors such as the effects of increasing domestic production capacity.

Orders, sales, and profits all reached record highs.

	Year on Year	Comparison with Initial Forecasts
■ Orders Received	○ Increased in all segments, particularly increasing in the Equipment Business (environmental test chambers)	○ Increased in all segments, with the Equipment Business (environmental test chambers) exceeding forecast in particular
■ Net Sales	○ Increased in all segments, particularly increasing in the Equipment Business (environmental test chambers)	○ Equipment Business was in line with forecast, while the Service Business and Other Business exceeded forecast
■ Operating Profit	○ Increased significantly due to higher sales and an improved cost-of-sales ratio in the Equipment Business, despite an increase in SG&A	○ Exceeded forecast due to an improved cost-of-sales ratio in the Equipment Business, despite an increase in SG&A
■ Ordinary Profit Profit Attributable to Owners of Parent	○ Increased significantly due to an increase in operating profit	○ Exceeded forecast due to an increase in operating profit

■ No revisions made to dividends from initial forecast (Interim: ¥35, Year-end: ¥45, Annual ¥80)

Summary of Profits and Losses

(Millions of yen)

	FY 2023 2Q Results	FY 2024 2Q Forecasts	FY 2024 2Q Results	Year on Year	Comparison with Forecasts
Orders Received	33,440	31,000	36,621	+9.5%	+18.1%
Net Sales	27,257	30,500	30,464	+11.8%	-0.1%
Cost of Net Sales Cost Ratio	17,771 65.2%	20,100 65.9%	19,326 63.4%	+8.7% 1.8pt melioration	-3.8% 2.5pt melioration
Gross Profit	9,485	10,400	11,137	+17.4%	+7.1%
SG&A	7,151	7,500	7,841	+9.6%	+4.6%
Operating Profit	2,333	2,900	3,296	+41.2%	+13.7%
Ordinary Profit	2,526	3,050	3,398	+34.5%	+11.4%
Profit Attributable to Owners of Parent	1,653	2,200	2,452	+48.3%	+11.5%

Performance by Segment

(Millions of yen)

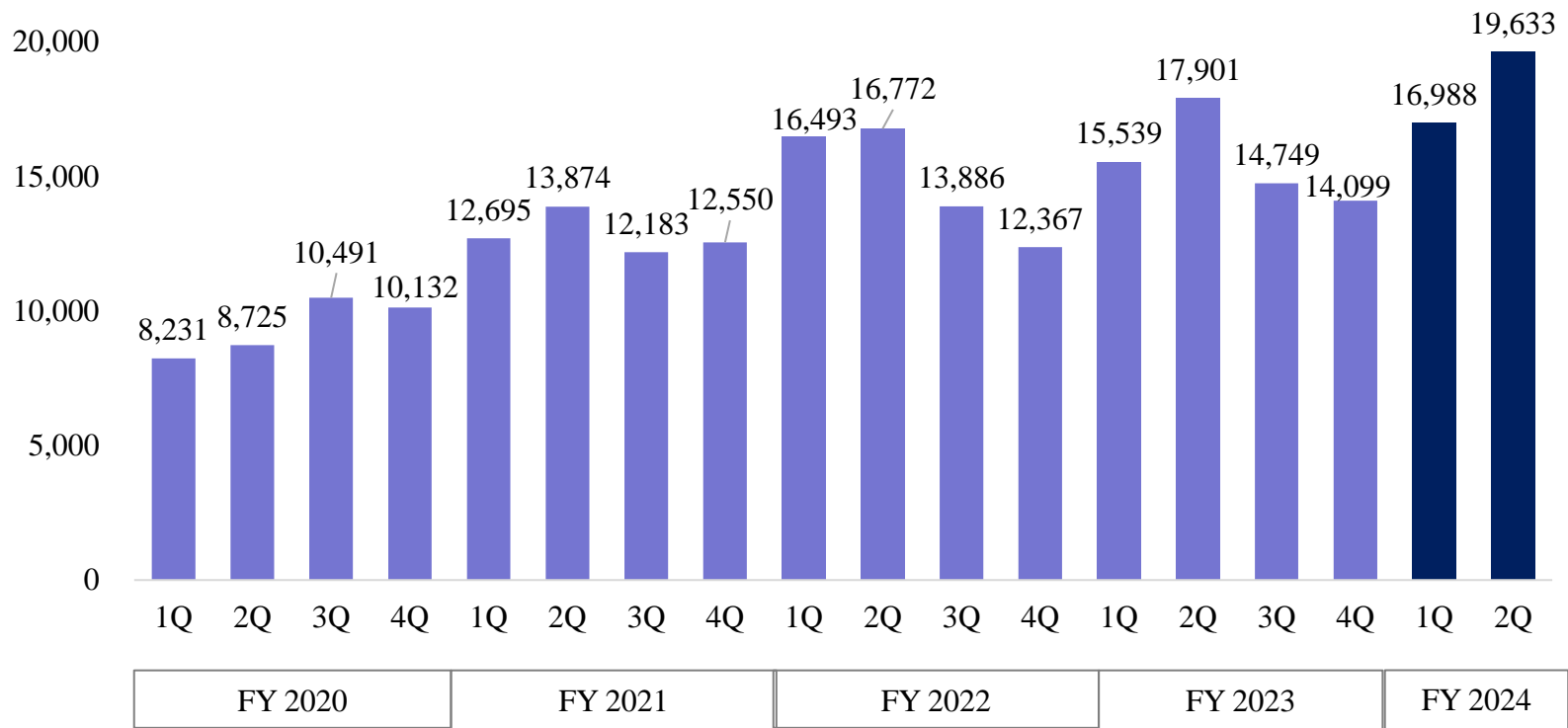
Segment		FY 2023 2Q Results	FY 2024 2Q Forecasts	FY 2024 2Q Results	Year on Year	Comparison with Forecasts
Equipment Business	Orders Received	29,198	26,900	31,868	+9.1%	+18.5%
	Net Sales	23,533	26,600	26,469	+12.5%	-0.5%
	Operating Profit	2,175	2,680	3,013	+38.5%	+12.4%
Service Business	Orders Received	3,785	3,700	4,176	+10.3%	+12.9%
	Net Sales	3,445	3,500	3,701	+7.4%	+5.8%
	Operating Profit	249	250	324	+30.3%	+29.9%
Other Business	Orders Received	655	600	808	+23.2%	+34.7%
	Net Sales	475	600	521	+9.6%	-13.0%
	Operating Profit	-88	-30	-31	-	-
Elimination	Orders Received	-199	-200	-232	-	-
	Net Sales	-197	-200	-227	-	-
	Operating Profit	-2	0	-10	-	-
Total	Orders Received	33,440	31,000	36,621	+9.5%	+18.1%
	Net Sales	27,257	30,500	30,464	+11.8%	-0.1%
	Operating Profit	2,333	2,900	3,296	+41.2%	+13.7%

Orders Received in FY2024 2Q

■ Although a year-on-year decrease in orders received was forecast, orders received in FY2024 1H hit a record high for the fourth consecutive period, driven by strong performance in both Japan and overseas.

Trends in orders received per quarter

(Millions of yen)

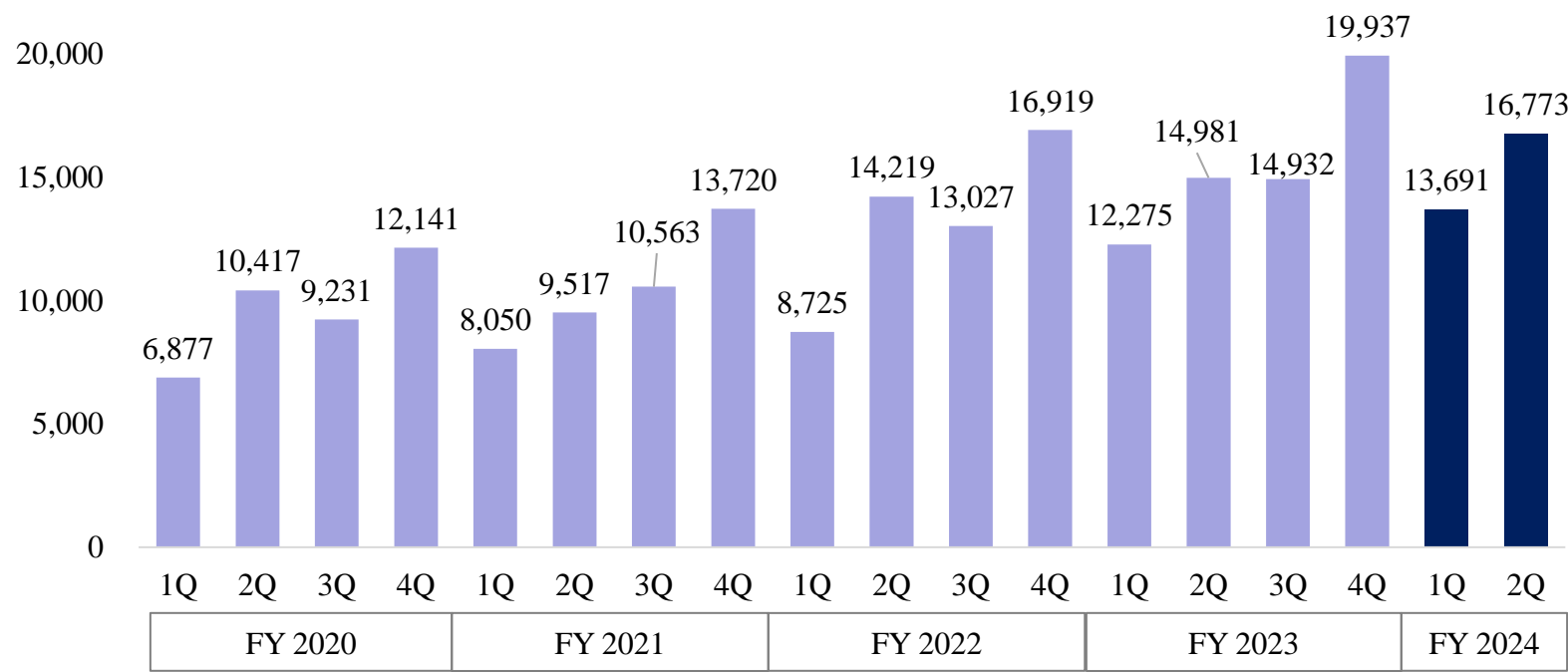


Net Sales in FY2024 2Q

- Net sales increased particularly in Japan, due partly to the effects of increasing domestic production capacity.
- FY2024 1H net sales reached a record high for the third consecutive period.

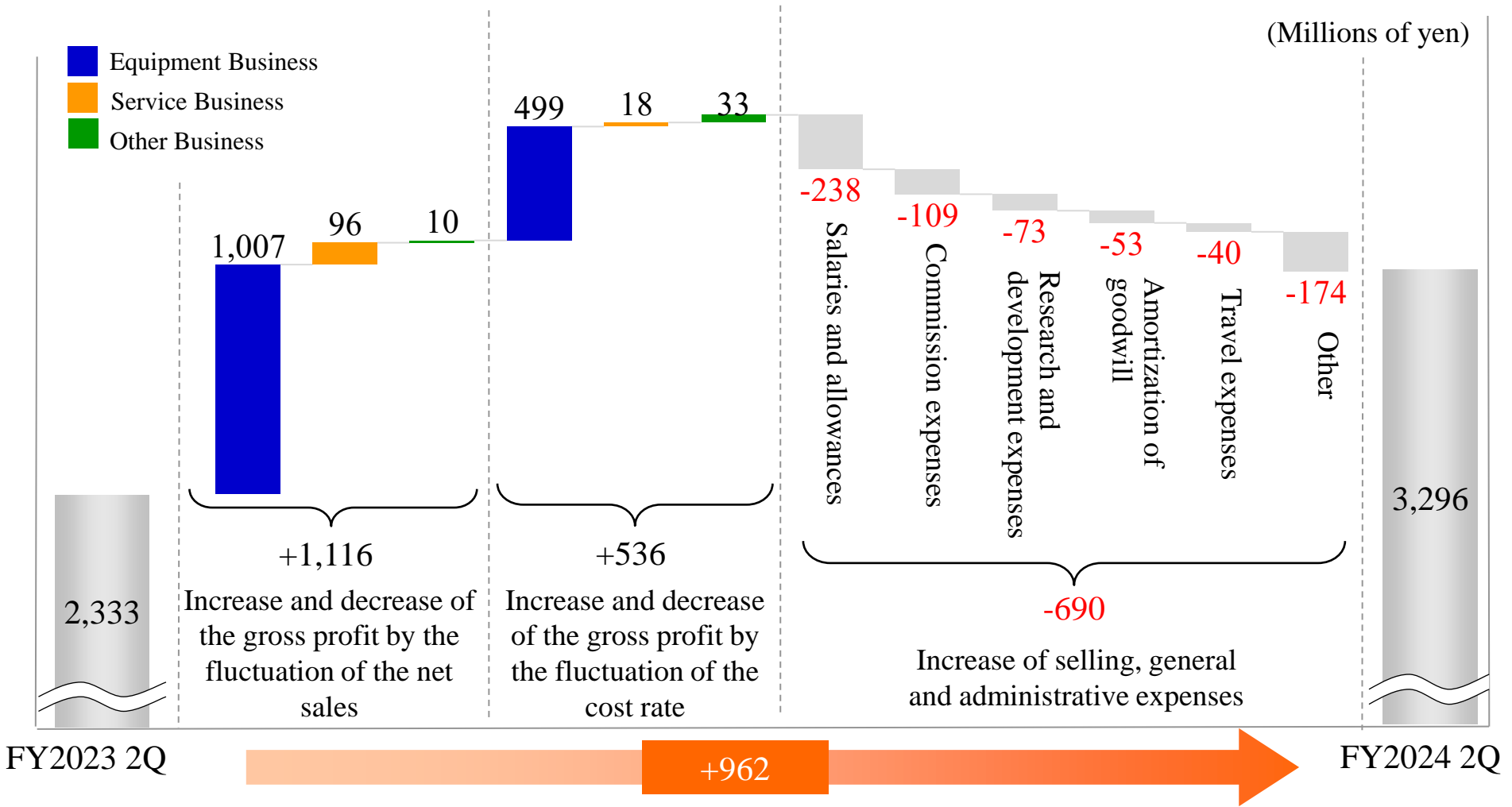
Trends in net sales per quarter

(Millions of yen)



Analysis of Operating Profit Increase and Decrease Factors

■ Despite an increase in SG&A, profit increased due to sales growth and improvement in the cost-of-sales ratio through price hikes, particularly in the Equipment Business.

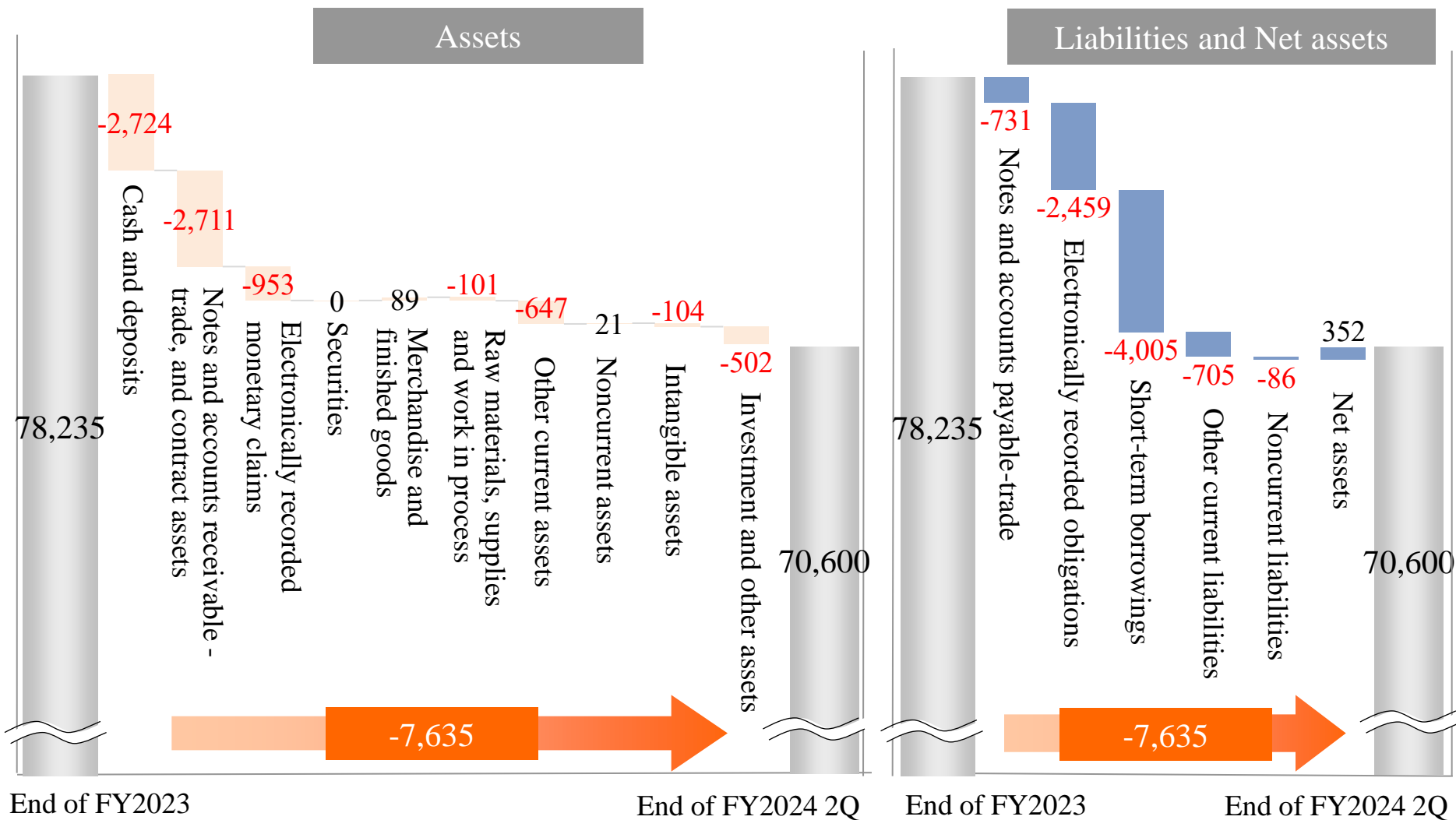


*Totals have been calculated using the gross profit per net sales rate.

Statement of Assets and Liabilities

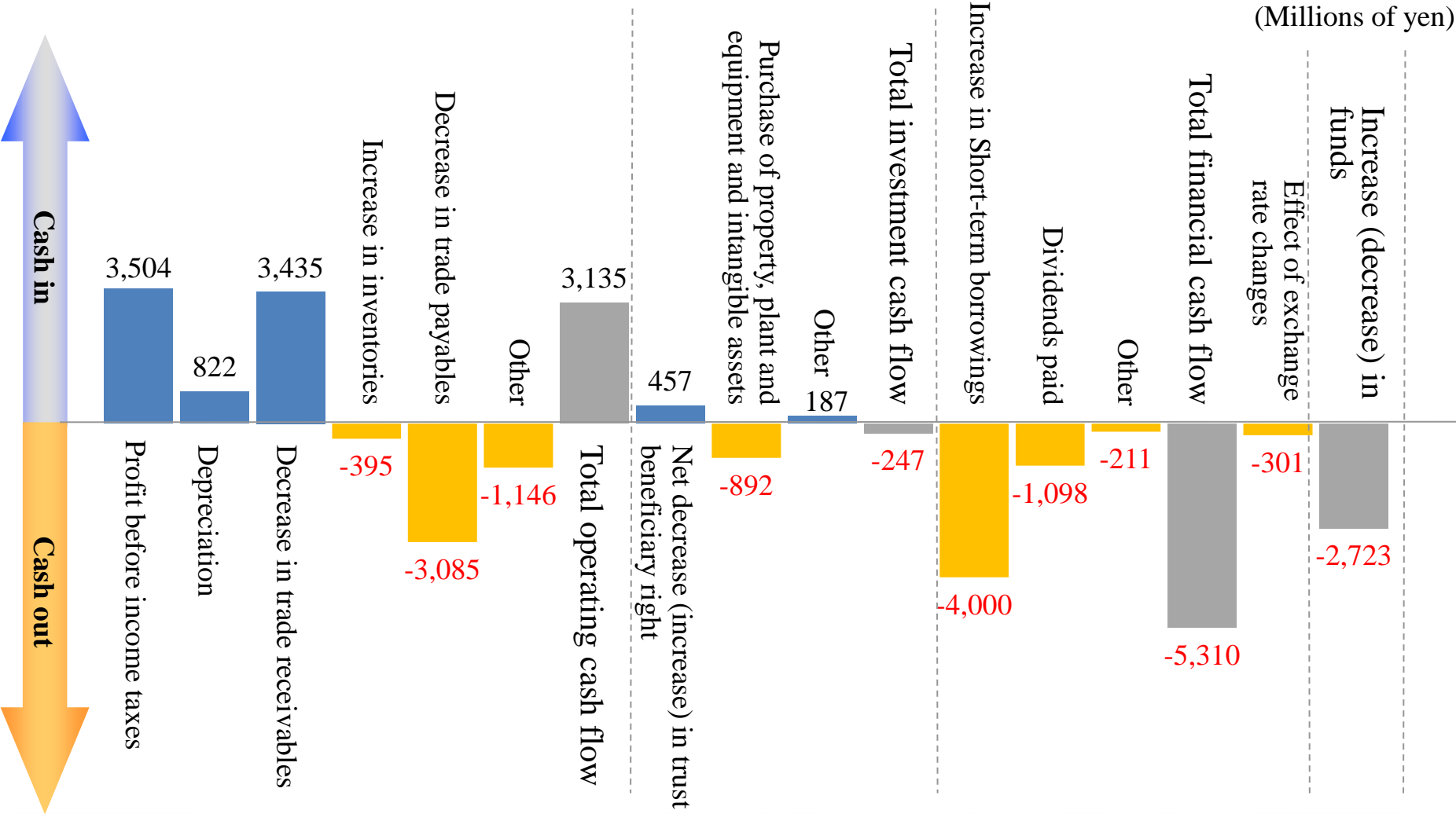
■ Total assets decreased by ¥7.6 billion, due to factors including the collection of trade receivables and repayment of short-term borrowings.

(Millions of yen)



Statements of Cash Flows

■ Cash decreased by approximately ¥2.7 billion, mainly due to the repayment of short-term borrowings, while operating activities provided net cash of approximately ¥3.1 billion.



Equipment Business

(Millions of yen)

	FY 2023 2Q Results	FY 2024 2Q Forecasts	FY 2024 2Q Results	Year on Year	Comparison with Forecasts
Orders Received	29,198	26,900	31,868	+9.1%	+18.5%
Net Sales	23,533	26,600	26,469	+12.5%	-0.5%
Operating Profit	2,175	2,680	3,013	+38.5%	+12.4%
Profit Ratio(%)	9.2%	10.1%	11.4%		

Environmental Test Chambers

- In Japan, orders received and net sales both increased year on year. Orders received for highly versatile standardized products were mostly unchanged year on year, while net sales of these products increased. For customized products, orders received and net sales both increased, reflecting strong performance trends mainly in the automotive-related area.
- Overseas, orders received increased, while net sales remained mostly unchanged year on year. Orders received increased primarily in China, South Korea, and Europe. Net sales increased in North America, Southeast Asia, and Taiwan, remained mostly flat year on year in China and decreased in Europe.

Energy Device Equipment

- Orders received decreased mainly in comparison to the same period of the previous year, when there was a large project in Japan. However, net sales increased substantially due to the recording of equipment sales for Japan and North America.

Semiconductor Equipment

- Orders received increased substantially year on year due to an order for a large server-related project, while net sales decreased substantially due to the impact of memory-related investment restraint.

Service Business

(Millions of yen)

	FY 2023 2Q Results	FY 2024 2Q Forecasts	FY 2024 2Q Results	Year on Year	Comparison with Forecasts
Orders Received	3,785	3,700	4,176	+10.3%	+12.9%
Net Sales	3,445	3,500	3,701	+7.4%	+5.8%
Operating Profit Profit Ratio(%)	249 7.2%	250 7.1%	324 8.8%	+30.3%	+29.9%

After-Sales Service and Engineering

- Orders received and net sales both increased year on year as both preventative maintenance services and repair services were solid.

Laboratory Testing Services and Facility Rentals

- Orders received and net sales both increased year on year, due to a strong performance in laboratory testing services, centered on automotive rechargeable batteries.

Other Business

(Millions of yen)

	FY 2023 2Q Results	FY 2024 2Q Forecasts	FY 2024 2Q Results	Year on Year	Comparison with Initial Forecasts
Orders Received	655	600	808	+23.2%	+34.7%
Net Sales	475	600	521	+9.6%	-13.0%
Operating Profit	-88	-30	-31	-	-
Profit Ratio(%)	-18.6%	-5.0%	-5.9%		

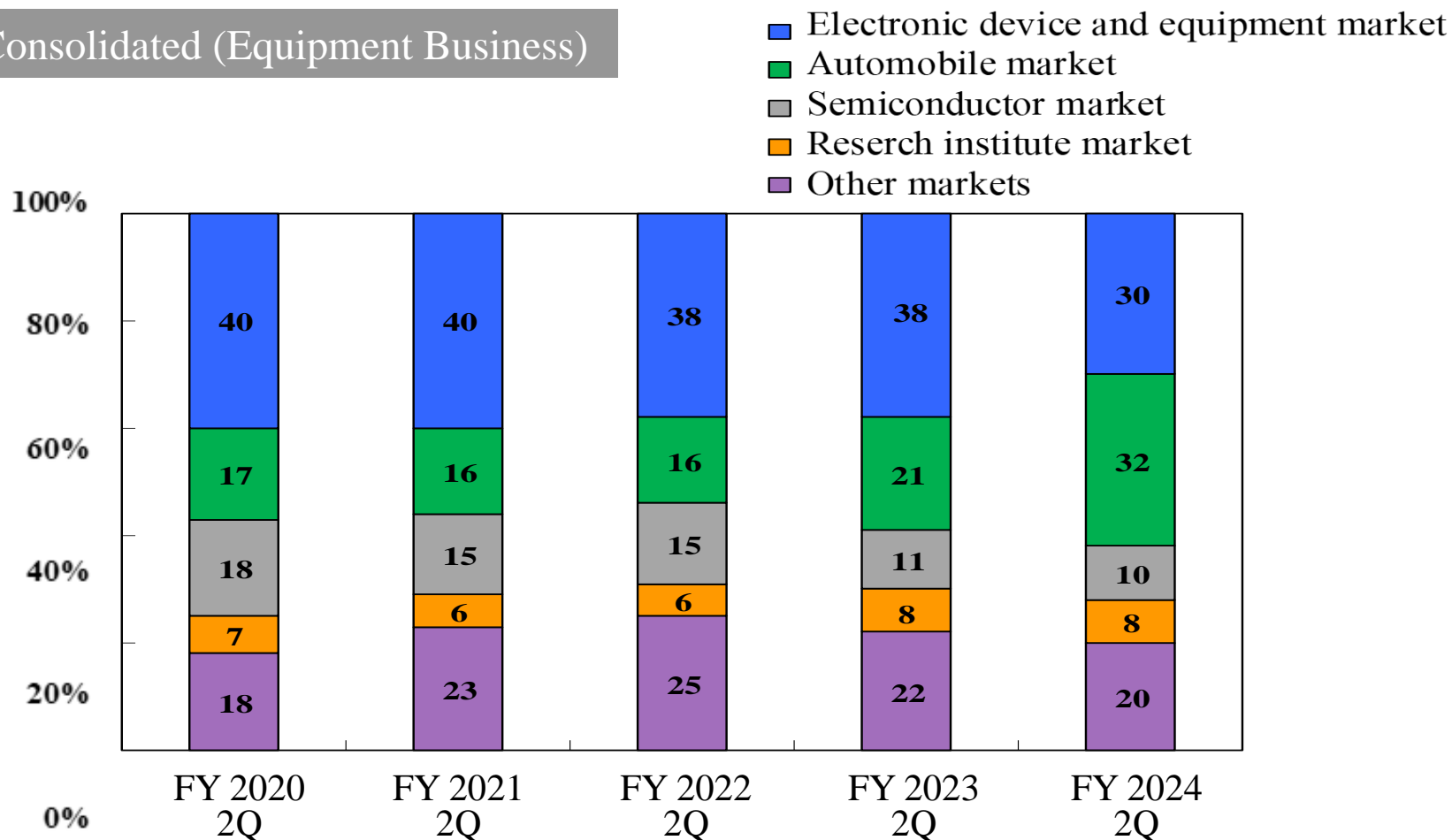
Environmental Conservation, Plant Production Systems

- Orders received and net sales both increased year on year, reflecting strong performance trends in areas such as waterfront biotope restoration and rooftop greening.

Sales by Market

■ The automobile market's sales ratio increased as progress was made on recording sales of products for EVs and batteries.

Non-Consolidated (Equipment Business)

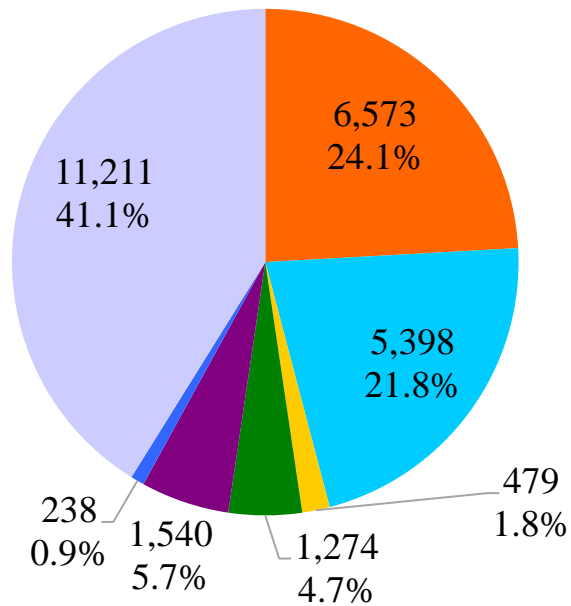


Sales by Region

■ Net sales increased particularly in Japan and North America, while net sales in China remained mostly unchanged year on year.

FY 2023 2Q

Overseas sales ratio: 58.9%

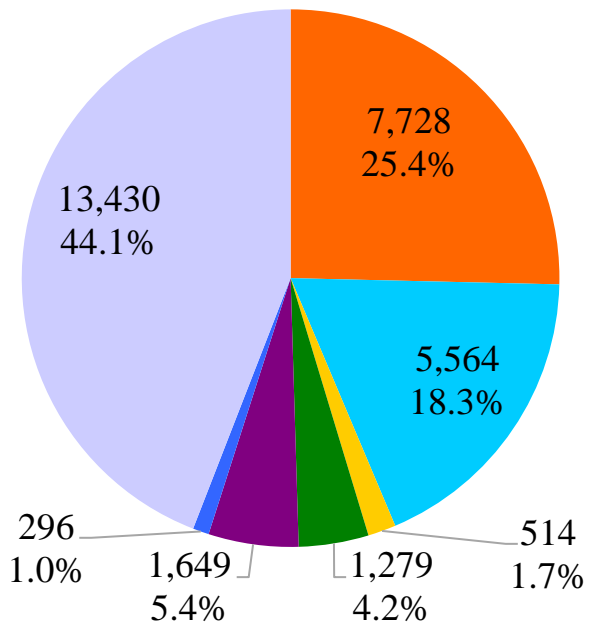


Total: 27,257 million yen

Overseas sales: 16,045 million yen

FY 2024 2Q

Overseas sales ratio: 55.9%



Total: 30,464 million yen

Overseas sales: 17,033 million yen

Forecasts for Fiscal 2024

■ Main points of full-year forecasts

- The full-year forecast for orders received was upwardly revised and strong performance will be maintained, although the 1H momentum will settle down.
- Initial forecasts for full-year net sales and operating profit will be maintained, considering the increase in projects with long-term delivery schedules and slowdowns in China and Europe.
- Aim for further profit growth by strengthening sales activities in cutting-edge fields and boosting production efficiency.

■ Changes in assumed exchange rate

	FY 2022	FY 2023		FY 2024	
	Full Year Results	1H Results	Full Year Results	1H Results	Full Year Assumption
U.S. dollars (yen)	135.51	141.06	144.59	152.77	145

Exchange rate sensitivity for FY2024 (¥1 depreciation against US\$1)

Net sales: Increase of ¥190 million, Operating profit: Increase of ¥41 million

Forecasts for Fiscal 2024

(Millions of yen)

	FY 2023	FY 2024	FY 2024			
	Full Year Results	Full Year Initial Forecasts	1H Results	Forecasts (Revised orders-received, gross profit and SG&A expenses)		
				2H	Full year	Year on Year
Orders-received	62,290	63,000	36,621	30,379	67,000	+7.6%
Net sales	62,126	65,000	30,464	34,535	65,000	+4.6%
Gross profit	21,994	22,600	11,137	12,087	23,225	+5.6%
Profit ratio (%)	35.4%	34.8%	36.6%	35.0%	35.7%	+0.3pt
SG&A	15,408	15,600	7,841	8,383	16,225	+5.3%
SG&A ratio (%)	24.8%	24.0%	25.7%	24.3%	25.0%	+0.2pt
Operating profit	6,585	7,000	3,296	3,704	7,000	+6.3%
Profit ratio(%)	10.6%	10.8%	10.8%	10.7%	10.8%	+0.2pt
Ordinary profit	6,919	7,200	3,398	3,801	7,200	+4.0%
Profit ratio(%)	11.1%	11.1%	11.2%	11.0%	11.1%	±0pt
Profit attributable to owners of parent	4,969	5,200	2,452	2,747	5,200	+4.6%
Profit ratio (%)	8.0%	8.0%	8.1%	8.0%	8.0%	±0pt
Basic earnings per share(yen)	227.61	238.18	112.34	125.84	238.18	+4.6%
ROE	10.0%	9.6%	-	-	9.6%	-0.4pt

Investment Plans in FY2024

(Millions of yen)

	FY 2023	FY 2024	FY 2024			
	Full Year Results	Full Year Initial Forecasts	1H Results	Forecasts (no change from the initial forecasts)		
				2H	Full year	Year on Year
Capital expenditures	2,696	3,190	1,008	2,182	3,190	+18.3%
Depreciation expenses	1,492	1,670	818	852	1,670	+11.9%
R&D expenditures	1,239	1,330	692	638	1,330	+7.3%

Main investments

- Open new laboratory testing facility, enhance testing equipment
- Increase production capacity

Main R&D activities

- Expand product lineup in advanced technology fields
- Expand environmentally friendly products such as low GWP refrigerant

Recognition of the Operating Environment

■ Orders will see the momentum of 1H settle down, but demand for EVs, batteries, and other fields will continue in Japan.

There are some concerns about slowdowns in China and Europe.

Equipment Business	Environmental Test Chambers	<p>Japan: Large-scale projects will decrease, while EV- and battery-related investment will continue. IoT-related investment will be firm.</p> <p>China: Although investments related to EVs and semiconductors will continue, there are concerns about a further economic slowdown.</p> <p>ASEAN: Strong investments, primarily in automobiles and semiconductors.</p> <p>North America: Investments related to space and communications satellites will be firm.</p> <p>Europe: Concerns about investment restraint due to economic slowdown.</p>
	Energy Device Equipment	Strong conditions forecast primarily in Japan, with orders received expected to remain at the same level as the previous fiscal year.
	Semiconductor Equipment	Memory-related investment is forecast to recover gradually.
Service Business	After-sales Service and Engineering, Laboratory Testing Services and Facility Rentals	<p>After-sales Service and Engineering: Expect a similar level of demand as in the previous fiscal year.</p> <p>Laboratory Testing Services: Continued brisk conditions for automotive rechargeable battery charge-discharge testing and safety testing.</p>
Other Business	Environmental Preservation, Plant Production Systems	Strong performance forecast mainly in the environmental conservation business, with orders expected to exceed the previous year.

Segment Financial Forecasts

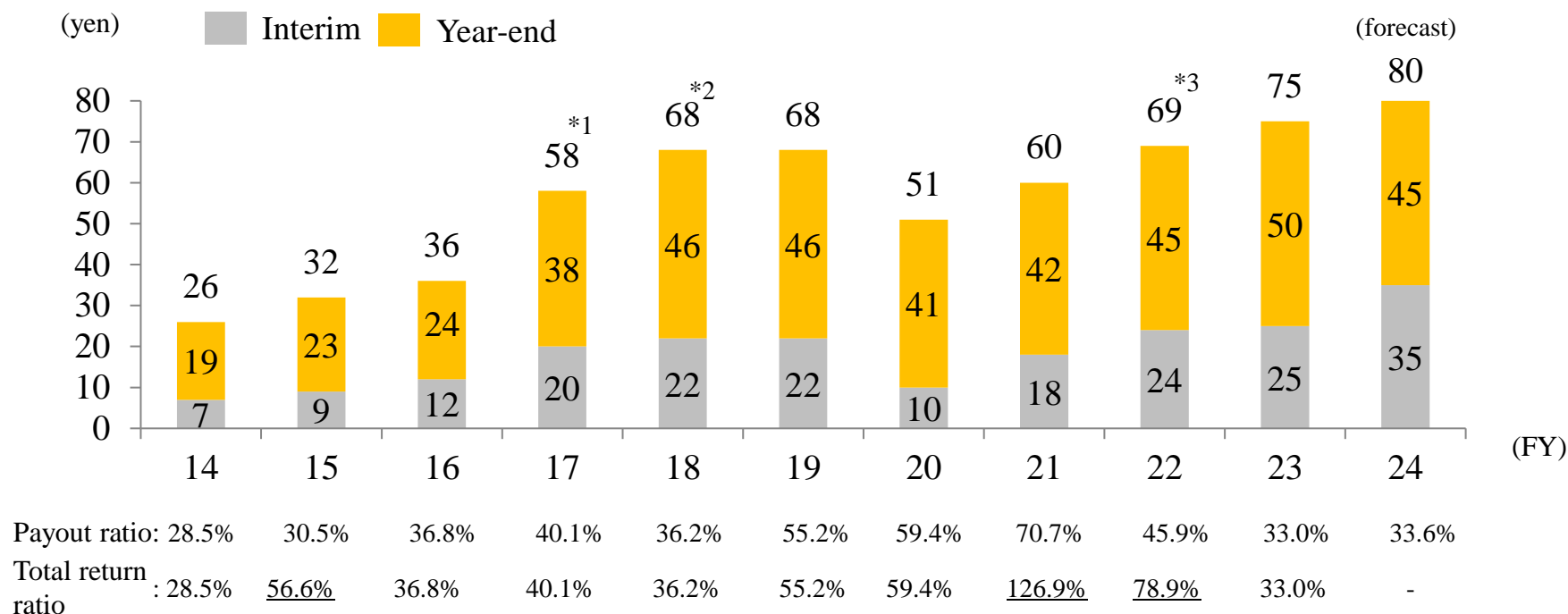
(Millions of yen)

		FY 2023	FY 2024	FY 2024			
		Full Year Results	Full Year Initial Forecasts	1H Results	Forecasts (Revised orders-received)		
					2H	Full Year	Year on Year
Equipment Business	Orders-Received	53,565	53,700	31,868	25,831	57,700	+7.7%
	Net sales	53,518	56,000	26,469	29,531	56,000	+4.6%
	Operating profit	5,848	6,180	3,013	3,167	6,180	+5.7%
Service Business	Orders-Received	7,634	8,000	4,176	3,824	8,000	+4.8%
	Net sales	7,536	7,900	3,701	4,199	7,900	+4.8%
	Operating profit	681	800	324	475	800	+17.3%
Other Business	Orders-Received	1,453	1,700	808	892	1,700	+16.9%
	Net sales	1,455	1,500	521	978	1,500	+3.0%
	Operating profit	51	20	-31	51	20	-61.1%
Elimination	Orders-Received	-363	-400	-232	-168	-400	-
	Net sales	-383	-400	-227	-172	-400	-
	Operating profit	3	0	-10	11	0	-
Total	Orders-Received	62,290	63,000	36,621	30,379	67,000	+7.6%
	Net sales	62,126	65,000	30,464	34,535	65,000	+4.6%
	Operating profit	6,585	7,000	3,296	3,704	7,000	+6.3%

FY 2024 Dividend Forecast

■ No revision to the FY2024 annual dividend forecast of ¥80, with the dividend payout ratio projected at 33.6%.

Dividend per share and dividend payout ratio



*1. Includes a dividend of ¥2 (interim dividend of ¥1 and year-end dividend of ¥1) to commemorate the 70th anniversary of our foundation in FY2017.

*2. FY2018 was an irregular 15-month fiscal period for overseas consolidated subsidiaries. The dividend payout ratio for a 12-month period is 39% (reference).

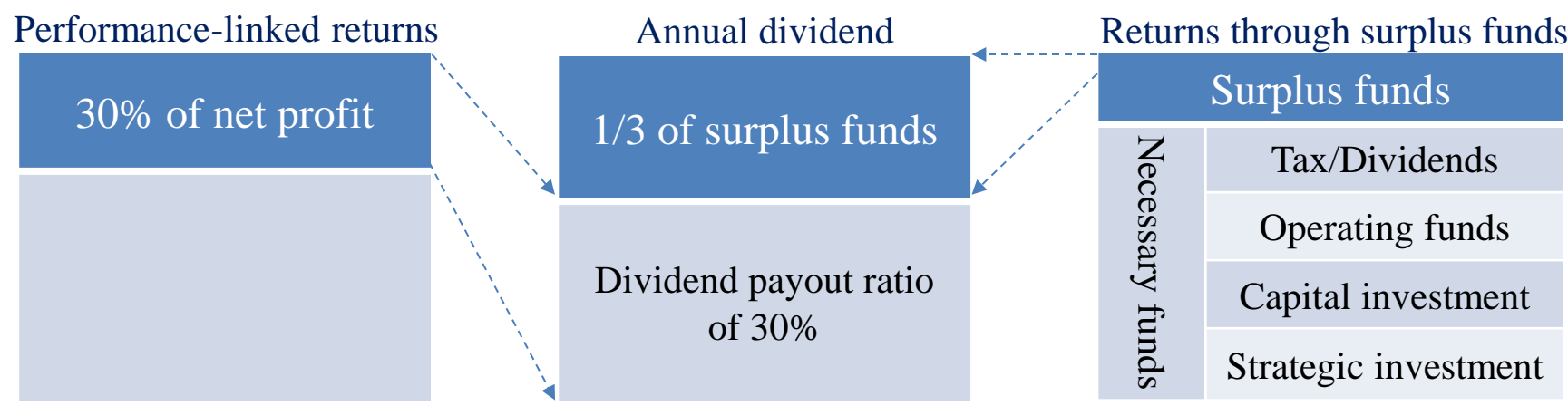
*3. Includes a dividend of ¥4 (interim dividend of ¥2 and year-end dividend of ¥2) to commemorate the 75th anniversary of our foundation in FY2022.

Basic policy on profit distribution

Our basic policy is to determine dividends reflecting sustainability and the dividend payout ratio

In addition to a dividend payout ratio of 30%, we will add dividends with 1/3 of the excess amount of scheduled necessary funds as a baseline.

While reflecting a necessary level of internal reserves, we flexibly implement acquisition of treasury shares.



*We will maintain stable dividends of ¥20 per year regardless of profit levels but will conduct a reevaluation in the event that we record a loss for two consecutive periods.

Main Initiatives in FY2024

Equipment Business

- Increase production capacity in Japan (increase personnel, expand production space, utilize outsourcing).
- Expand lineup of high-value-added products.

Service Business

After-sales Service:

Expand preventative maintenance services through “super support service plan.”

Laboratory Testing Services:

Start service at Aichi xEV Battery Safety Test & Certification Center.

Open the Aichi Battery Safety Testing Center and expand the functions of the Toyota Test Center.

Area Strategy

Japan: Strengthen sales activities in the EV, battery / IoT, and semiconductor fields.

North America: Strengthen sales activities in the EV and battery fields through Group collaboration and expand sales in the space and communications satellite fields.

China: Secure stable earnings through Group collaboration.

Europe: Expand the lineup of products that address environmental regulations.

Korea : Increase sales to major global companies, boost sales to contract testing laboratories.

Main Initiatives for ESG in FY2024

■E (Environment)

- Promote the 8th Medium-term Plan on the Environment (FY2022-2025)**

- Global warming countermeasure:**

Change to low GWP refrigerant, Reduce CO2 emissions in business activities such as manufacturing

- Biodiversity conservation activities:**

Contributions through the business

Promote conservation activities through the management of “ESPEC’s 50-Year Forest”

■S (Society)

- Strengthen human capital:**

Bolster management skills of executive officers and managers

Enhance personnel evaluation and training systems

Enhance engagement by stimulating communication

- Promote diversity:** Train female managers, facilitate the success of senior and non-Japanese employees

■G (Governance)

- Strengthen Group governance:**

Strengthen governance of subsidiaries and enhance internal control system

TOPICS 1

Start Service at “Aichi Next Generation Mobility Test Lab” Addressing Testing Demand for Automotive Rechargeable Batteries and EV and Automation Modules

■ Aichi xEV Battery Safety Test & Certification Center

- Scheduled to open in February 2025 as one of Japan’s largest dedicated automotive rechargeable battery testing centers (began accepting service requests in October 2024)
- Supports larger and higher capacity automotive rechargeable batteries with cutting-edge testing facilities.
- Supports various testing standards such as the UN ECE-R100 regulation.



Rendering of Aichi xEV Battery Safety Test & Certification Center (Tokoname, Aichi Prefecture)

■ Toyota Test Center

- Scheduled to expand the functions of the Toyota Test Center, the Company’s largest general test center (start services in April 2025).
- Supports larger test samples such as e-Axles, PCUs, and ECUs.
- Enhanced services for conducting evaluation and measurement, simulating the usage environment while EV and automation modules are in operation.



Toyota Test Center (Toyota, Aichi Prefecture)

TOPICS 2

Low Temperature (& Humidity) Chambers Featuring a Low GWP Refrigerant Launch of Platinous J Series ECO Type

- In November 2024, launched the ECO Type in the Platinous J Series, which features global-standard environmental test chamber models.
- Offers up to a 70% reduction in power consumption compared to current models through proprietary refrigeration technology. Features R-449A low-GWP* refrigerant, contributing to lower greenhouse gas emissions.



Low Temperature (& Humidity) Chambers Featuring
a Low GWP Refrigerant Platinous J Series ECO Type

COSMOPIA HIGHTECH CORP. Launched a Rapid-Rate Thermal Cycle Chamber featuring a Low GWP Refrigerant for the First Time in Japan

- In October 2024, COSMOPIA HIGHTECH CORP., an ESPEC Group member, launched Japan's first rapid-rate thermal cycle chamber featuring R-473A low GWP* refrigerant.
- Complies with international testing standards and contributes to the reduction of greenhouse gas emissions



Rapid-Rate Thermal Cycle Chamber
Premium Excellent Series (EC-28PXHH)

External Recognition

■2024

- Nov. • Rated 3.5 stars in the Nikkei General Sustainability Survey's SDGs Management category
- Rated 3 stars in the Nikkei General Sustainability Survey's Smart Work Management category
- Sep. • First Awarded as an excellent company in the Gomez ESG Website Ranking 2024
- Jul. • Financial Times in the UK and German data provider Statista
Selected as an Asia-Pacific Climate Leader for the Second Year in a Row
- Mar. • Selected as Supplier Engagement Leader for two consecutive years,
the Top Rank in the CDP Supplier Engagement Ratings
- Feb. • Rated "B" score for the fourth consecutive year in the CDP Climate Change 2023,
"C-" score for Water Security
- Ranked 375th in Toyo Keizai Inc.'s 2024 CSR Corporate Ranking

■2023

- Dec. • Awarded a Bronze Prize in the Gomez IR Website Ranking 2023
- Selected a Commendation Award of the 2023 Internet IR Award of Daiwa IR
- Selected as a "GRADE AAA" company website in the All-Japanese Listed Companies' Website Ranking 2023

■ Inclusion in ESG indexes

FTSE Blossom Japan Sector Relative Index (First Selection in April 2022)



**FTSE Blossom
Japan Sector
Relative Index**

These materials contain forward-looking statements, including the Company's present plans and forecasts of performance, that reflect the Company's plans and forecasts based on the information presently available. These forward-looking statements are not guarantees of future performance, and plans, forecasts, and performance are subject to change depending on future conditions and various other factors.

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Quality is more than a word

ESPEC